

Message Text

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FORD'S ECONOMIC AND TAX PROGRAM (EXCERPTS) (500)

WASHINGTON, JAN. 15--THE WHITE HOUSE ISSUED THE FOLLOWING SUMMARY ON THE PRESIDENT'S ECONOMIC AND TAX PROGRAM IN A FACT SHEET ISSUED IN CONNECTION WITH THE STATE OF THE UNION MESSAGE:

(BEGIN EXCERPTS)

BACKGROUND

THE U.S. ECONOMY IS FACED WITH THE CLOSELY LINKED PROBLEMS OF INFLATION AND RECESSION. DURING 1974, THE ECONOMY EXPERIENCED THE HIGHEST RATE OF INFLATION SINCE WORLD WAR II. LATE IN 1974, WHEN A RECESSION SET IN, UNEMPLOYMENT ROSE SHARPLY TO OVER 7 PERCENT, THE HIGHEST LEVEL IN 13 YEARS.

ACCELERATED INFLATION HAD ITS ROOTS IN THE POLICIES OF THE PAST AND SEVERAL RECENT DEVELOPMENTS NOT SUBJECT TO U.S. CONTROL. SPECIFICALLY:

-- EXCESSIVE FEDERAL SPENDING AND LENDING FOR OVER A DECADE AND TOO MUCH MONEY AND CREDIT GROWTH.

--UNUSUALLY POOR HARVESTS CONTRIBUTED HEAVILY TO WORLD-WIDE FOOD SHORTAGES AND ESCALATING FOOD PRICES.

--WORLD PETROLEUM PRODUCT PRICES INCREASED DRAMATICALLY DUE TO THE ARAB NATIONS' EMBARGO ON SHIPMENTS OF OIL TO THE U.S., THE QUADRUPLING OF THE PRICE OF CRUDE OIL BY THE OPEC NATIONS, AND THEIR SHARP REDUCTIONS IN CRUDE OIL PRODUCTION TO MAINTAIN HIGHER PRICES. HIGHER ENERGY PRICES WERE PASSED THROUGH IN THE PRICES OF OTHER PRODUCTS AND SERVICES. ECONOMIC AND TAX

--THE DECLINE IN U.S. DOMESTIC PRODUCTION OF OIL AND NATURAL GAS THAT BEGAN IN THE 1960'S ALSO CONTRIBUTED TO HIGHER ENERGY PRICES.

-- AN ECONOMIC BOOM OCCURRED SIMULTANEOUSLY IN THE INDUSTRIALIZED NATIONS OF THE WORLD.

--THERE WERE TWO INTERNATIONAL DEVALUATIONS OF THE DOLLAR. INFLATION CONTRIBUTED STRONGLY TO THE FORCES OF RECESSION:

--THE REAL PURCHASING POWER OF WORKERS' PAYCHECKS WAS REDUCED.

--INFLATION ALSO REDUCED CONSUMER CONFIDENCE, CONTRIBUTING TO THE MOST SEVERE SLUMP IN CONSUMER PURCHASING SINCE UNCLASSIFIED

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WORLD WAR II.

--INFLATION FORCED INTEREST RATES TO VERY HIGH LEVELS, DRAINING FUNDS OUT OF FINANCIAL INSTITUTIONS THAT SUPPLY MOST MORTGAGE LOANS AND THUS SHARPLY REDUCING CONSTRUCTION OF HOMES.

--FEDERAL GOVERNMENT SPENDING AND LENDING PROGRAMS, ACCOUNTING FOR OVER HALF THE FUNDS RAISED IN CAPITAL MARKETS, REDUCED THE AMOUNT OF MONEY AVAILABLE FOR CAPITAL INVESTMENTS NEEDED TO RAISE PRODUCTIVITY AND INCREASE LIVING STANDARDS.

ECONOMIC AND TAX

CURRENT SITUATION AND NEAR-TERM OUTLOOK

THE ECONOMY IS NOW IN A FULL-FLEDGED RECESSION AND UNEMPLOYMENT WILL RISE FURTHER. INFLATION CONTINUES AT A RAPID PACE AND THE NEED TO TAKE IMMEDIATE STEPS TO CONSERVE ENERGY WILL FURTHER COMPLICATE THE PROBLEM INITIALLY.

THERE ARE NO INSTANT CURES. A CAREFUL AND BALANCED POLICY APPROACH IS REQUIRED. IT WILL TAKE TIME TO YIELD FULL RESULTS. THERE IS, HOWEVER, NO PROSPECT OF A LONG AND DEEP ECONOMIC DOWNTURN ON THE SCALE OF THE 1930'S. (END EXCERPTS) ITEM

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